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Statement in Support of H. R. 3603 As Opposed to the Findley Amendment (Rice Provisions of S. 884)

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STATEMENT IN SUPPORT OF H.R. 3603
AS OPPOSED TO THE
FINDLEY AMENDMENT (Rice Provisions of S. 884)

The legislative recommendations for rice as contained in Title VI of H.R. 3603 reflect the majority position of the House Agriculture Committee. This bill also encompasses most of the recommendations of an ad hoc committee of U.S. rice producers that has worked for nearly two years in formulating a consensus position on rice legislation.

This bill mandates the repeal of rice acreage allotments. Program benefits will be extended to all rice farmers, not just allotment holders, thus completing the orderly transition from strict acreage controls to a market-oriented philosophy of open production and equal program protection.

The elimination of the inequities between historical rice producers and new producers bring with it a certain element of increased budget exposure to the government stemming solely from the eligibility of more producers and acreage for program protection. However, this bill contains acreage limitation provisions which can be judiciously used by the Secretary of Agriculture to minimize this increased budget exposure. Through the calculation of a national program acreage, the Secretary can reduce the total amount of rice production eligible for program benefits on a yearly basis. By utilization of the designated set-aside, the Secretary can restrict eligibility for loans and payments to those who

reduce their plantings the specified amount below the previous year's plantings should it be determined that this action is necessary to bring projected supply and demand into better balance. Both the national program acreage provision and the designated set-aside will be effective tools to help avoid rice surpluses and accompanying government costs, but only if the benefits -- eligibility for target price payments and loans -- are established at a reasonable level in relation to the desired reduction in production. Participation in the production adjustment will be voluntary with the only inducement to participate being the eligibility for loans and payments, if any.

Title VI of H.R. 3603 provides a target price and loan program as a safety net for the farmer in the event of unreasonably low market prices. The annual target price adjustment will be based on a cost of production formula similar to the formula now being used in existing law. The proposed formula to measure changes in the cost of production has been slightly modified to more accurately reflect changes in the cost of production than the formula presently being used.

Title VI of H.R. 3603 represents the final step in the transition from a program of controlled rice production to a market-oriented philosophy. Government intervention in individual production decisions is cut to a minimum. The safety net of target price and loan is continued to offer

minimal income protection to the U.S. rice producer. For a commodity like rice -- over 60% of the crop exported into a heavily protected world market and a very costly crop to produce -- reasonable price guarantees, target and loan are essential so producers, especially small farmers, can finance the production of rice.

Additionally, I would point out the target price for the 1982 crop as specified in this amendment certainly indicates that rice is being treated unfairly. The \$10.73 per cwt. target price for the 1982 crop is only 100.5% of the \$10.68 target price -- a one-half of one percent increase. From what we know today, we can be certain that the cost of producing rice in 1982 will surely be more than one-half of one percent above the cost of producing the 1981 crop. Since this amendment is the same as the rice title in S. 884, I would assume that the Senate provisions for the other grains will also be offered as amendments. This Senate bill while only providing a target price for 1982 crop rice at one-half of one percent above the 1981 target provides a 5% increase for wheat, a 12 1/2% increase for corn and no increase for cotton. Let me add, however, that the 1981 target price for cotton was increased 21 1/2% above the 1980 target due to a quirk in the '77 Act cost of production formula.

ARGUMENTS FOR BOWEN AMENDMENT TO FINDLEY AMENDMENT

(RE RICE TITLE)

- The formula for calculating the rice target prices in Title VI of H. R. 3603 is designed to reflect inflationary increases in the cost of rice production. The target prices which will be generated by this formula are not intended to cover production costs.
- Rather, these target prices will provide an economic safety net for the farmer in the event of unreasonably low market prices, thus enabling him to secure financing for the production of the next year's rice crop.
- If, because of budgetary constraints we are unable to provide U.S. rice producers with the assurance of a target price derived from such a formula, then we should be certain that the yearly target prices we legislate at least provide a measure of minimal income protection to producers.
- Over the past twenty months I have worked closely with an ad hoc committee of rice producers representing over 75% of all rice produced in the five major rice growing states. I have found this group to be most reasonable and ready to absorb their fair share of proposed budget cuts.
- However, this group feels that the target prices put forth in the bill recently passed by the Senate are unreasonably low, the \$10.73 per cwt figure for the 1982 crop being only a one-half of one percent increase from the current target price.
- As a compromise between the target price levels which would be generated by the formula in Title VI of H.R. 3603 and the yearly target prices put forth in the Senate bill, I propose the following yearly target prices:

<u>Year</u>	<u>Mandated Target Price</u>
1982	\$10.98
1983	\$11.63
1984	\$12.28
1985	\$12.93

- The compromise levels I am proposing are ones which were agreed to by the Administration right before the Farm Bill came up in the Senate.
- Yearly target prices set at levels below those listed above will not provide the economic safety net necessary to assure the continuation of a strong and healthy U.S. rice industry--an industry which provides food for people around the world and income to the benefit of the U.S. economy.
- Furthermore, it is doubtful that with target prices and the resultant loan levels at this low level that sufficient voluntary participation in any production adjustment (set-aside) program could be obtained to be effective. I cannot emphasize enough the importance of an effective stand-by production adjustment program for a commodity like rice.
- As with all field crops, its annual production is subject to the vagaries of weather. Even more important than the unpredictable changes in production is the uncertainty of the rice export market. With over 60% of our rice exported each year, our producers are very quickly and very seriously affected by changes in the very volatile world rice market.
- Therefore a program with reasonable target prices and loans and an effective production adjustment feature is absolutely essential to the continued stability, strength and efficiency of our rice industry.